

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5090-07
Bill No.: HCS for SS for SB 943
Subject: Education, Elementary and Secondary; General Assembly; Elementary and Secondary Education Department
Type: Original
Date: May 11, 2010

Bill Summary: This proposal enacts several provisions relating to elementary and secondary education funding and planning processes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$93,536,062 to Unknown	\$194,856,388 to Unknown	\$202,742,484 Unknown
Total Estimated Net Effect on General Revenue Fund	\$93,536,062 to Unknown	\$194,856,288 to Unknown	\$202,742,484 to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
State School Monies Fund	(\$93,536,062 to Unknown)	(\$194,856,288 to Unknown)	(\$202,742,484 to Unknown)
Career Ladder	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	(\$93,536,062 to Unknown)	(\$194,856,288 to Unknown)	(\$202,742,484 to Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Administrative Hearing Commission, Department of Mental Health**, and the **Department of Health and Senior Services** state this proposal will have no fiscal impact on their respective agencies.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

§160.011 - SCHOOL ATTENDANCE

Officials from the **Francis Howell School District** state that their district already provides more than 1,073 hours of instruction as required by this section.

§163.031- FOUNDATION FORMULA MODIFICATIONS

According to officials from the **Department of Elementary and Secondary Education (DESE)**, data used in DESE's FY11 budget request was held constant for the HCS SS SB 943 and SS SCS HCS#2 HB1543 calculations except for the scheduled change to the State Adequacy Target in FY12. The State Adequacy Target increased from \$6,124 in FY11 to \$6,131 in FY12. The State Adequacy Target of \$6,131 was used in all remaining years calculations. The actual cost of each year will depend on individual district data not yet available.

Based on calculations provided by DESE, savings to General Revenue would be as follows:

FY 2011	\$ 93,536,062
FY 2012	\$194,856,288
FY 2013	\$202,742,484

ASSUMPTION (continued)

Officials from the **Department of Social Services - Division of Youth Services (DYS)** reviewed the school foundation formula provisions for possible fiscal impact. §163.073, which provides state aid for educational programs provided by DYS, remains unchanged; therefore, DYS is not impacted by the changes in the school foundation formula any more or less than any other school district in the state. DYS schools generally are eligible for funding at the rate of the state average, thus DYS does not expect to be disproportionately affected by the proposed legislation.

Officials from the **Parkway School District** state Given the potential proportional reductions in funding in certain situations where appropriations are not sufficient to fund the formula, their district would lose approximately \$86,000 for each 1% reduction in its minimum guarantee as a hold harmless district. §163.031.4 (10) would serve to restore some of those cuts should funding increases occur. Parkway has been a "hold harmless" district since 1993.

§163.036 - SUMMER SCHOOL

DESE assumes limiting the summer school ADA included in the payment weighted ADA of the formula will reduce the cost of the formula. DESE does not have data to estimate a reduced cost.

§163.044 - SMALL SCHOOLS

According to DESE, at some future year when the formula is funded at the required amount, there is to be a \$5M increase to the Small Schools appropriation (from the current \$15 to \$20M). There are some changes to the distribution of the money to districts, but the cost change is \$5M.

Oversight assumes the time when the foundation formula is fully funded is beyond the scope of the fiscal note and will, for fiscal note purposes only, show no fiscal impact.

§163.500 - JOINT COMMITTEE STUDY OF EDUCATION FUNDING:

Officials from the **Joint Committee on Education** state there will be no additional costs to their agency.

Officials from the **Missouri Senate** state this proposed legislation will either have no fiscal impact as it relates to their agency or minimal costs which can be absorbed by present appropriations.

ASSUMPTION (continued)

In response to an earlier version of this proposal, officials from the **Missouri House of Representatives** state this proposal will have no fiscal impact on their agency.

§165.011 - TRANSFER OF FUNDS FROM CAPITOL PROJECTS TO INCIDENTAL FUND

DESE states the provisions of this section has no impact on state costs. (No state savings; no increased state cost.) These provisions provide flexibility to school districts regarding expenditures and allocation of money to certain funds.

§168.500 & 168.515 - CAREER LADDER

According to DESE the Career Ladder is subject to appropriation; the cost or savings is dependent on the appropriation; the change in the state match may reduce the state cost from the FY10 appropriation but that cost is unknown at this time

§178.697 - PARENTS AS TEACHERS

This section does not appear to pose a fiscal impact to DESE. The impact will be incurred by the school districts and families. It is difficult to determine true cost to the districts and families. The FY09 appropriation was \$34,304,651.00. School districts also invested \$16,254,195.00 of local funds to support Parents as Teachers services to families.

Officials from the **Special School District of St Louis** state this proposal is not expected to have a material fiscal impact on their district

<u>FISCAL IMPACT - State Government</u>	FY 2011	FY 2012	FY 2013
---	---------	---------	---------

GENERAL REVENUE

<u>Savings</u> - Department of Elementary and Secondary Education (DESE) - Reduction in state aid for foundation formula (§163.031)	\$93,536,062	\$194,856,288	\$202,742,484
---	--------------	---------------	---------------

<u>Savings</u> - DESE - Reduction in funding for Summer School (§163.036)	Unknown	Unknown	Unknown
---	---------	---------	---------

<u>Savings</u> - DESE - Reduction in funding for Career Ladder Program (§163.031, 168.500 & 168.515)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
--	----------------	----------------	----------------

ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$93,536,062 to Unknown</u>	<u>\$194,856,288 to Unknown</u>	<u>\$202,742,484 to Unknown</u>
--	---------------------------------------	--	--

STATE SCHOOL MONIES FUND

<u>Loss</u> - Reduction in State Aid through foundation formula (§163.031)	(\$93,536,062)	(\$194,856,288)	(\$202,742,484)
--	----------------	-----------------	-----------------

<u>Loss</u> - Summer School - Reduction in State Aid (§163.036)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---	------------------	------------------	------------------

ESTIMATED NET EFFECT ON STATE SCHOOL MONIES FUND	<u>(\$93,536,062 to Unknown)</u>	<u>(194,856,288 to Unknown)</u>	<u>(\$202,742,484 to Unknown)</u>
---	---	--	--

CAREER LADDER

<u>Savings</u> - Reduction in Funding (§163.031, 168.500 & 168.515)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
---	----------------	----------------	----------------

ESTIMATED NET EFFECT ON CAREER LADDER	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
--	-----------------------	-----------------------	-----------------------

FISCAL IMPACT - Local Government FY 2011 FY 2012 FY 2013

LOCAL POLITICAL SUBDIVISIONS

Loss - Local School Districts

Reduction in State Aid through foundation formula (§163.031)	(\$93,536,062)	(\$194,856,288)	(\$202,742,484)
Reduction in State Aid for Summer School (§163.036)	(Unknown)	(Unknown)	(Unknown)
Reduction in State Aid for Career Ladder (§163.031, 168.500 & 168;515)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS (\$93,536,062 to Unknown) (\$194,856,288 to Unknown) (\$202,742,484 to Unknown)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposed legislation modifies the elementary and secondary education funding formula.

§163.031 - FOUNDATION FORMULA MODIFICATIONS

The phase-in of the SB 287 formula will be extended through the 2016-2017 school year. The phase-in percentages for the new and old formulas are modified, as described in the proposed legislation. This proposal contains allowances for the distribution of state aid depending on the amount of available appropriations, as described below.

This proposal allows the General Assembly to appropriate more funds than required by the phase-in percentages for any particular school year. In such a situation, the Department of Elementary and Secondary Education is required to adjust the phase-in percentages to accommodate appropriations in order to distribute one hundred percent of the total amount of appropriated funds. In addition, during the phase-in, if the foundation formula appropriation is equal to or greater than the state aid expenditure for fiscal year 2010 but is insufficient to fully fund the applicable phase-in percentages for the formula during that school year, the Department of Elementary and Secondary Education must adjust the phase-in percentages to accommodate

FISCAL DESCRIPTION (continued)

the total amount of available appropriations. The phase-in percentages must equal one hundred and the total amount of appropriated funds must be distributed.

In any school year in which the foundation formula appropriation is less than the fiscal year 2010 actual state aid expenditure, the Department of Elementary and Secondary Education must reduce the state aid payment by ten percent to any hold harmless district that has a local effort figure greater than its total formula entitlement calculation.

In addition, in any school year in which the foundation formula appropriation is less than the fiscal year 2010 actual state aid expenditure, the Department of Elementary and Secondary Education must reduce the payment amounts awarded to all school districts, including hold harmless districts. The Department of Elementary and Secondary Education must calculate a uniform proportional reduction percentage based on all available state aid to be applied to the payment amount to which all districts would otherwise be entitled under the applicable phase-in percentages. This calculation will occur after the Department has already reduced payments to any hold harmless district that has a local effort figure greater than its total formula entitlement calculation.

§163.036 - SUMMER SCHOOL

Beginning in the 2010-2011 school year, summer school attendance that can be included in a district's average daily attendance will only include attendance hours of students exclusively in academic areas of study. Curriculum must be based on core subject areas of the regular instruction program for relevant grade levels. Each school district must verify to the Department of Elementary and Secondary Education that its summer school program conforms to these requirements. School districts may offer a summer school program that offers non-academic or enrichment activities at their own expense.

§168.500 & §168.515 - CAREER LADDER

This proposal modifies the Career Ladder program. It removes the requirement that the General Assembly make an annual appropriation. Beginning in fiscal year 2012, Career Ladder payments will only be made available to local school districts if an appropriation is made. Any state appropriation must be made prospectively in relation to the year in which work under the program is performed. Nothing in this proposal shall be construed to prohibit a local school district from funding the program for its teachers for work performed in years for which no state appropriation is made available.

DESCRIPTION (continued)

In addition, this proposal removes the variable match portion of Career Ladder. Instead, Career Ladder will be funded by sixty percent local funding and forty percent state funding. The three groups of school districts with variable funding rates are eliminated.

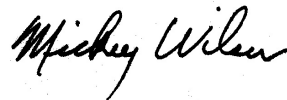
This proposal repeals §163.037 and §171.029.

This proposal contains an emergency clause (July 1, 2010) for §163.031, 163.036, 163.044, and 168.221.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Joint Committee on Education
Missouri House of Representatives
Department of Health and Senior Services
Office of Administration
 Administrative Hearing Commission
Department of Mental Health
Missouri Senate
Office of Secretary of State
 Administrative Rules Division
Department of Social Services
 Division of Youth Services
School Districts
 Special School District of St Louis
 Francis Howell
 Parkway

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 11, 2010